



South Carolina House of Representatives

Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

Vol. 2

October, 1985
(Interim Issue Number 4)

No. 26

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OCT 30 1985

CONTENTS

STATE DOCUMENTS

LEGISLATIVE UPDATE

South Carolina Human Services Integration Project.....1-2

RESEARCH REPORT

The Adversary Economy: Review.....2-1

AROUND THE HOUSE

Staff Additions and Changes.....3-1

Public Hearings on Long Term Health Care.....3-1

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Legislative Update

South Carolina Human Services Integration Project

Summary

South Carolina is one of five states that has received funding from the U.S. Department of Health and Human Services for an innovative pilot project to demonstrate integrated service delivery for human services. Of the states, South Carolina is the only one which will try out a state-wide, comprehensive project, designed to draw together as many human service agencies as possible, and reaching as many participants as feasible.

The South Carolina project was selected by HHS in response to a proposal jointly prepared by the State Reorganization Commission and participating state human service agencies. Federal legislation in 1984 authorized such pilot programs, and HHS will send \$150,000 in federal funds to S.C. during the first year, and approximately \$1.5 million during the remainder of the project.

The project will move towards the goal of a comprehensive health and human services delivery system. The proposal focused on using the project to bring about better services to clients, to improve recordkeeping and data systems, and to think more in terms of solving problems as the ultimate end of the service delivery system. An essential element of the project: work within existing structures to accomplish its objectives, rather than try to impose new structures on the State.

Background

Human services, that vast array of programs and activities directed towards the problems of poverty, health care and need, have grown steadily larger in the past fifty years. These programs and the agencies which administer them have become critical to large numbers of persons, especially in South Carolina. None would deny that human services are needed, but many have begun to ask: are they being provided in the best possible fashion? Are those who need the services receiving them?

Legislative Update, October, 1985

Human services programs receive large portions of the federal and state budgets. As conditions and problems have come to light--hunger, poverty, unemployment, lack of training--both national and state governments have enacted legislation to deal with the situation. However, the attack on human problems has often been piecemeal and isolated. As the State Reorganization Commission noted in its proposal: "The major human service problem in South Carolina is absence of a single comprehensive strategy and system that guides us in our response to these problems."

No Comprehensive Strategy--No Comprehensive Evaluation

The lack of such a strategy makes planning difficult, action isolated, and evaluation uncertain. Programs have been established--often by federal mandate--to address specific conditions. Coordination and integration among agencies have been low priorities compared to individual agency activities. Thus, despite excellent operations by individual agencies, there is no consistent way for them to complement each other to meet common goals.

There is a direct impact on the Legislature from this. The project proposal states it clearly:

As at the national level, state decision-makers have no way of measuring program impact. When acting on the state budget, the South Carolina General Assembly has difficulty distinguishing effective programs from those which are less than effective. There are no means with which to establish priorities for spending according to the determined needs of the State. Not only is this a problem with the legislature, however; agencies also need tools to help them determine the proper allocation of scarce resources. With instruments to measure program effectiveness, agencies and the legislature could make more informed decisions as to program emphasis.

Major Objectives

The project has major objectives set both by the federal government, and by the project proposal.

First, the Department of Health and Human Services requires activities leading to the installation of specific systems as noted in the federal legislation. Specifically, HHS is looking for comprehensive human service delivery programs which respond to individual needs, reduce dependency and increase community participation. Other goals include: increase individual self-sufficiency; develop effective state and local capacity to address social needs; provide efficient and effective use of resources; and target services to serve populations of greatest need.

Legislative Update, October, 1985

The project has three major objectives. The first is to establish a comprehensive set of health and human service delivery goals, to guide the organization and implementation of a unified community human services system. These goals are: developing a common set of terms used among agencies; developing a single, comprehensive family profile; establishing a single resource directory of human service providers; developing unified fiscal procedures, including budgets, accounting and auditing; developing unified planning methods; consolidating locations and transportation; standardizing purchase-of-service procedures; creating communication links among agencies; developing uniform application and eligibility determination procedures.

The second objective of the project is in human service delivery. The delivery system should be spread across agencies providing human services; it must respond to individual needs, reduce dependency, and facilitate use of community resources; finally, the services should result in problems being solved and self-sufficiency being gained.

Finally, the project plans to have a system of impact analysis to determine if a program, or indeed, the total system is achieving its goals.

How Long Will the Project Run?

The entire project will run 42 months. It is divided into four phases, covering planning (12 months); installation of the system (12 months); demonstration operations (18 months); and evaluation and transition (3 months, including overlap with the last three months of demonstration).

What Agencies Are Participating?

The agencies that will participate in this project are responsible for nearly all of the human services available in the state, either directly or indirectly. they are: Departments of Social Services, Health and Environmental Control, Mental Health, Mental Retardation, and Education; the Commissions on Aging, the Blind, and Alcohol and Drug Abuse; the Employment Security Commission; the Health and Human Services Finance Commission; and the Office of the Governor.

In addition, the following agencies have indicated a willingness to explore the possibility of limited participation in the project: Joint Legislative Committee on Health Care Planning and Oversight; Senate Medical Affairs Committee; the Joint Committee on Aging; the Joint Committee on Mental Health and Mental Retardation; and the Joint Appropriations Review Committee.

Legislative Update, October, 1985

As noted above, the State Reorganization Commission is taking the lead in this project, but it is definitely a concerted effort among the state's agencies. Phil Grose, Director of SRC, will serve as the Project Administrator, with overall responsibility for operations. Larry Fernandez of SRC will be the Project Director, with day-to-day management and administrative responsibility for the project. Other members of SRC will also have vital parts to play during the course of the project.

Conclusion

The South Carolina Human Services Integration Project has put the state into the forefront of innovation in this vital area. Of the five states funded by HHS, only South Carolina has a full-fledged, state-wide project. Arizona and Oklahoma are attempting a similar project, but only in selected locations. Florida and Maine are specializing their efforts: the first with programs for the aging, the second with AFDC pregnant mothers only.

The South Carolina project, on the other hand, could have lasting and profound benefits for all of the state. It could also provide members of the General Assembly with a better grasp of the efforts made in human services. Perhaps the proposal summed it up best, when it said that the project:

"...will provide South Carolina with the means, for the first time, to organize a single response mechanism that addresses the needs of the state as well as individual citizens in a comprehensive fashion. It will provide the state with the opportunity to take the \$2.4 billion per year spent in South Carolina in health care, social services, education and employment and spend it in a more logical and informed manner."

:

Government and Business--Natural Enemies?

A Summary and Review of *The Adversary Economy*

Background

A recently published book, *The Adversary Economy: Business Responses to Changing Government Requirements**, examines the relationship between the relationship between government and business. Alfred A. Marcus, the author, sees no end to what he calls the "adversary" relationship, but he does offer some strategies to ease the friction, and even make it profitable for both business and society.

Where Do Regulations Come From?

Government regulatory powers, as we now know them, are creatures of the twentieth century. Before 1887 and the creation of the Interstate Commerce Commission, the federal government basically had no regulatory powers. Some of the powers, such as those of the Antitrust Division in the Justice Department, were established through court cases; most however were created by Congress.

The 1960's and early 1970's were growth years for regulatory power. Marcus notes that the "adversary" nature of the government-business relationship was established at this time. Since the late 1970's the regulators have diminished, but still remain relatively powerful. The tables at the end of this report show the growth of federal regulatory bodies.

The differences between government and business should be recognized in this context. What George Schultz (now Secretary of State) calls the "abrasive interface" is; primarily caused by these differences. Business values efficiency; government, equity. Business is operated by people who get things done; government is run by people who make policy and are able to maneuver legislative compromise. Business is concerned with a relatively narrow and single-issue view of the world; government takes a broad, socially-conscious perspective.

* *The Adversary Economy: Business Responses to Changing Government Requirements*. Westport (Connecticut): Quorum Books. 1984

Business Response to Regulations

According to Marcus, the business world responds in one of three ways to governmental regulation: by stonewalling, opportunism, or mixed strategies.

Stonewalling is designed to prevent regulatory changes from going into effect. Legal challenges to regulations, public relations efforts against implementation, and legislative lobbying to ease rules are all stonewalling strategies. One example: the Reserve Mining Corporation employed a stonewall defense when government regulations were imposed concerning water pollution.

Reserve Mining was ordered to cease dumping taconite waste, a suspected toxic substance, into the Great Lakes. The company attempted to avoid the order by lengthy arguments over the precise nature of discharge, over the provable biological effects, and over the ultimate destination of the waste. In the end, the tactic only delayed implementation of the order.

There are two major dangers in stonewalling: first, it may give the company a negative public image; and second, legal costs and eventual implementation costs may increase dramatically.

Opportunism, on the other hand, attempts to take regulatory restraints and make them profitable for the company. The Dow Chemical company offers an excellent example.

Responding to the Clean Air Act and other pollution control laws and regulations, Dow developed expertise in pollution control products, methods and services. It sold these to other businesses, and to the government. Dow also reduced its waste output by developing and using innovative recycling methods.

Mixed Strategies, according to Marcus, can combine stonewalling and opportunism. Proctor and Gamble initially stonewalled over the issue of toxic shock syndrome and its Rely Tampons line. The company first insisted that there was insufficient data to remove the brand from sales. Relatively soon however--in about four months--the company did recall the product, agreed to buy back any unused supply, pledged research support for the Center for Disease Control and directed a large educational program about toxic shock syndrome.

Compare this response to that of Ford motors over the Pinto automobile. Despite increasing evidence that the Pinto was basically flawed, Ford stonewalled, refusing to give any ground. Popular perception came to the conclusion that the Pinto was unsafe; sales declined drastically, and eventually Ford had to terminate what had once been a very profitable auto line.

Business must recognize, according to Jerry McAfee of Gulf Oil, that "the nature of modern industry is such that management clearly and properly is responsible to at least three groups: the stockholders, the employees, and the community." (p.22)

How Can Business Influence Regulations?

There are three phases in the regulatory world: formulation, implementation, and evaluation. Marcus maintains that business can make a favorable impact during any and all of these stages.

An example of business input in the formulation stage comes from the Interstate Commerce Commission. This outfit was formed in 1887 largely at the request of those to be regulated--the railroads. The Commission was a device to bring order to railroad expansion and insure continued profits for existing lines. In the 1920's the trucking industry sought regulations from the ICC for almost exactly the same reasons.

During implementation, and especially during evaluation, businesses can seek to have regulations altered or eased to suit their needs. Marcus says that during the implementation phase a business can either "retreat" or "attack," depending upon the situation. He offers as an example the broadcast industry.

When UHF (ultra high frequency) was introduced, the industry did not especially welcome it, because of its disruptive effects. Still, the industry realized the technology could not be prevented, so it "retreated" from the field and did not protest government regulations. When FM radio was first introduced, however, the industry "attacked," and was successful in having FM restricted to a narrow range on the wave lengths.

Generally, business favors regulations which protect business, and oppose regulations which protect consumers.

During the evaluation of regulations a business can point to either the failure of those regulations to achieve desired results; their excessive costs; the burden on the business and community; or a combination of all these.

Seven Tactics

Marcus suggests the following tactics for business to influence those who make and implement regulations. These tactics might sound familiar to legislators, who may possibly have encountered them before.

1. Control the production and distribution of information.
2. Use outside experts to support your position.
3. Use litigation.
4. Take advantage of jurisdictional conflicts to play off one government agency against other.
5. Organize to achieve political ends.
6. Develop a partnership with regulators.
7. Mix public considerations with self-interest.

"Advocates present their 'best case,' not all they know, for they are interested in doing well in the struggle. They bring in experts to make a point, not to enlighten. Character assassination may be common, and motives and inclinations are open to question. If the advocates cannot win, they at least seek to prevent major harm." (p.17)

End to the Adversary Relationship?

"By and large, relationships between business and government in the United States are adversarial in nature. The contrast is striking between this situation and the dominant European and Japanese approach, which is a partnership, or at least close cooperation, between business and government." (xii)

Marcus expresses the wish for some form of national industrial policy to "protect American industry from foreign competition, to foster the export of American goods, and to purchase natural resources from foreign cartels through a united front." (p.206) However, he does not foresee such a policy developing in the near future, and considers it likely the "adversary economy" will continue.

However, the federal government seems to be moving towards more flexibility in its dealing with business, industry, and the private sector in general. And states have traditionally been more responsive to the need to encourage economic development, while still retaining public protection.

The "adversary" nature of the relationship will continue to exist because business looks after its own interests, while government must attend to the interests of all--business and non-business alike.

Prepared by House Research Office 10/85/5578

TABLE ONE
ECONOMIC REGULATORY AGENCIES

<u>Agency</u>	<u>1981 Budget (\$ Millions)</u>	<u>1981 Staff</u>
Interstate Commerce Commission (1887)	66	1,836
Antitrust Division, Justice Dept. (1890)	49	939
Federal Trade Commission (1914)	70	1,587
Federal Power Commission (1920) ^a	70	1,607
Commodity Exchange Authority (1922) ^b	18	550
Food and Drug Administration (1931)	337	7,521
Federal Home Loan Bank Board (1932)	60	1,440
Farm Credit Administration (1933)	13	267
Federal Deposit Insurance Corp. (1933)	124	3,554
Federal Communications Comm. (1934)	81	2,004
Securities and Exchange Comm. (1934)	78	1,928
National Labor Relations Board (1935)	114	3,313
Federal Maritime Commission (1936)	12	306
Civil Aeronautics Board (1938) ^c	147	650

^a Became Federal Energy Regulatory Commission in 1985

^b Became Commodity Futures Trading Commission in 1974

^c Went out of existence at the end of 1984

TABLE TWO: SOCIAL REGULATORY AGENCIES

<u>Agency</u>	<u>1981 Budget (\$ Millions)</u>	<u>1981 Staff</u>
Federal Aviation Agency (1948)	269	---
Equal Employment Opportunity Comm. (1964)	134	3,412
National Transportation Safety Bd. (1966)	18	359
Federal Railroad Administration	29	431
Council on Environmental Quality (1969)	3	16
Environmental Protection Agency (1970)	1,360	9,799
National Highway Traffic Safety Administration (1970)	125	797
Occupational Safety and Health Administration (1970)	195	3,009
Occupational Safety and Health Review Commission (1970)	8	160
Consumer Product Safety Commission (1972)	41	812
Federal Energy Administration (1973) ^a	132	1,400
Nuclear Regulatory Commission (1973) ^b	417	3,029
Mining Enforcement and Safety Administration (1973) ^c	131	1,036

^a Became the Economic Regulatory Administration in 1977.

^b Prior to 1973 was part of the Atomic Energy Commission.

^c Became the Mine Safety and Health Administration in 1977.

Around the House

Staff Additions and Changes

A number of new staff persons have come on board for the House. In Word Processing, the two new staff persons are Martha Best and Shirley Motley. House Bookkeeping's new staff person is Pat James.

The new desk clerk for the House is Terry Wallace. Sue Hooks and Ricky Wade are the new staff persons with the House Ways and Means Committee. The newly created Joint Committee on Cultural Affairs has hired Susan Conaty-Buck as Research Director. Finally, Van Hegler, formerly of the House Ways and Means Staff, replaces Hank Stallworth as the Research Director for the House Agriculture Committee.

Public Hearings on Long Term Health Care

A Health Care Planning and Oversight subcommittee chaired by Senator Leatherman will be conducting statewide hearings on the need for nursing home beds, especially Medicaid beds. These hearings are being sponsored by the Health Care Planning and Oversight Committee, Long Term Care Reimbursement Subcommittee; the State Health and Human Services Finance Commission; the Statewide Health Coordinating Council; and the South Carolina Health Systems Agencies.

The schedule of those hearings can be found on the next page. All hearings are planned to begin at 7:00 pm. Please note that the hearing scheduled for York may be moved to Rock Hill.

If you need more information about these hearings, contact Dave Murday, Health Care Planning and Oversight Committee.

Around the House, October, 1985

Long Term Health Care Hearings

DATE	PLACE
Thursday, October 17	Georgetown County Courthouse Courtroom 715 Prince St Georgetown
Tuesday, October 22	Florence-Darlington TEC 5000 Bldg - Room 5202 Highway 52 Florence
Wednesday, October 23	Sumter City-County Building Auditorium 155 N. Harvin St. Sumter
Thursday, October 24	Greenwood County Courthouse Public Meeting Room - 2nd Floor Greenwood
Tuesday, October 29	North Charleston City Hall Room 517 LaCross Road and Mall Drive Montague Exit off I-26 North Charleston
Wednesday, October 30	3700 Forest Drive 3rd Floor Conference Room Columbia
Tuesday, November 5	Greenville TEC Allied Health Center 291 Bypass Greenville
Wednesday, November 6	Agricultural Building Council Chambers 106 Congress St. York
Tuesday, November 12	Bamberg County Courthouse Council Chambers 107 North St. Bamberg
Thursday, November 14	Holiday Inn I-95 and 17A Point South - Yemassee